

**REBUTTAL TESTIMONY OF
ALLEN W. ROOKS
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2018-2-E**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS, AND**
2 **CURRENT POSITION.**

3 A. My name is Allen W. Rooks. My business address is 220 Operation Way,
4 Cayce, South Carolina 29033.

5
6 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN**
7 **THIS PROCEEDING?**

8 A. I have.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. On pages 7-8 of his direct testimony, ORS Witness Seaman-Huynh states
12 as follows:

13 In Docket No. 2017-2-E, SCE&G proposed to use the Internal
14 Revenue Service ("IRS") Section 174 deduction claims to lower
15 its Environmental Components based on its Accumulated
16 Deferred Income Taxes ("ADIT") liability balances as of
17 September 30, 2017. The Commission approved the Company's
18 proposal in Commission Order No. 2017-246. In reviewing the
19 Company's books and records in this Docket, ORS did not find
20 the Company made any adjustments to its Environmental Capacity
21 Components during the Actual Period attributed to the IRS Section
22 174 deduction claims.

1 The purpose of my rebuttal testimony is to explain why South Carolina
2 Electric & Gas Company (“SCE&G” or “Company”) did not make any
3 adjustments to its Environmental Component in 2017 attributed to the IRS
4 Section 174 deduction claims.

5
6 **Q. WHY DID SCE&G NOT MAKE ANY ADJUSTMENTS TO ITS**
7 **ENVIRONMENTAL COMPONENT IN 2017 ATTRIBUTED TO THE**
8 **IRS SECTION 174 DEDUCTION CLAIMS?**

9 A. In Order No. 2017-246, in Docket No. 2017-2-E, the Public Service
10 Commission of South Carolina approved as reasonable and prudent SCE&G’s
11 proposal to use Section 174 research and experimentation tax benefits related to
12 the construction of V.C. Summer Units 2 and 3 to reduce the Environmental
13 Component of its total fuel cost factor in an amount based on its ADIT liability
14 balances as of September 30, 2017, and “to make the reduction concurrent with
15 the implementation of the Company’s 2017 BLRA revised rates request.” *See*
16 Commission Order No. 2017-246 at p. 54. However, SCE&G did not seek a
17 2017 BLRA revised rates update.

18 Instead, SCE&G filed and later withdrew an abandonment petition which,
19 among other things, sought recovery of the costs of the abandoned plant without
20 an increase in rates. This petition proposed using Section 174 tax benefits, as
21 well as additional tax benefits arising from abandonment, as a means to reduce
22 capital cost recovery. Later, on January 12, 2018, SCE&G along with Dominion

1 Energy, Inc. filed a joint petition (“Joint Petition”) which reflected a proposed
2 rate decrease and also provided for the use of all tax benefits related to the
3 abandoned nuclear construction project, both Section 174 and the tax
4 abandonment deduction, for the benefit of customers.

5 For these reasons, SCE&G did not make an adjustment to its
6 Environmental Component in 2017 attributed to the IRS Section 174 deduction
7 claims, and the exhibits to my direct testimony do not reflect an adjustment for
8 a Section 174 deduction. That deduction will be considered in the Joint Petition.

9

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 A. Yes.